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Message Text

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TO AMCONSUL PORT MORESBY

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FOLLOWING REPEAT STATE 62092, SENT ACTION MEXICO INFOALL AMERICAN REPUBLIC DIPLOMATIC POSTS AND USCINCSO DTD 19 MAR 75
QUOTE:

C O N F I D E N T I A L

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E.O. 11652: N/A
TAGS: EIND, ETRD, MX
SUBJECT: PRODUCER ORGANIZATIONS AND GSP EXCLUSION PROVISIONS OF TRADE ACT

REFS: (A) STATE 42348, (B) MEXICO 1753

1. SECTION 502(B)(2) OF THE TRADE ACT HAS BEEN THE SUBJECT OF CONSIDERABLE CRITICISM BY MANY LATIN AMERICAN COUNTRIES. IT APPEARS TO EXCLUDE MEMBER COUNTRIES OF OPEC FROM OUR SYSTEM OF GENERALIZED TARIFF PREFERENCES. WIDESPREAD APPREHENSIONS HAVE ALSO ARISEN THAT THIS SECTION MAY BE APPLIED TO LATIN AMERICAN COUNTRIES WHICH ARE MEMBERS OF OTHER PRODUCER ORGANIZATIONS. IA-ECOSOC MEETINGS PROVIDED OPPORTUNITY FOR HIGHLY SUCCESSFUL, CANDID DISCUSSION OF LIMITS AND IMPLICATIONS OF THIS PROVISION. HOWEVER, IN RESPONSE TO SPECIFIC INQUIRY FROM EMBASSY MEXICO, AND IN
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FURTHER ELABORATION ON PARA 3 OF REFTEL A, DEPARTMENT IS

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PROVIDING THE FOLLOWING FOR POSTS USE AS APPROPRIATE.

2. THE LEGISLATIVE HISTORY OF THE ACT INDICATES CLEARLY THAT THIS PROVISION APPLIES ONLY TO COUNTRIES WHICH PARTICIPATE IN ACTIONS WHICH CAUSE SERIOUS DISRUPTION OF THE WORLD ECONOMY. WE DO NOT CONSIDER SUCH LANGUAGE AS AN IMPEDIMENT TO LEGITIMATE ACTION BY RAW MATERIAL PRODUCING COUNTRIES. WE CAN DRAW ON ARTICLE 37 OF THE OAS CHARTER FOR A DESCRIPTION OF WHAT ACTIVITY WE CONSIDER LEGITIMATE

IN THIS FIELD: "THE MEMBER STATES, RECOGNIZING THE CLOSE INTERDEPENDENCE BETWEEN FOREIGN TRADE AND ECONOMIC AND SOCIAL DEVELOPMENT, SHOULD MAKE INDIVIDUAL AND UNITED EFFORTS TO BRING ABOUT THE FOLLOWING:..."(B) MAINTENANCE OF CONTINUITY IN THEIR ECONOMIC AND SOCIAL DEVELOPMENT BY MEANS OF:

"I. IMPROVED CONDITIONS FOR TRADE IN BASIC COMMODITIES THROUGH INTERNATIONAL AGREEMENTS, WHERE APPROPRIATE; ORDERLY MARKETING PROCEDURES THAT AVOID DISRUPTION OF MARKETS; AND OTHER MEASURES DESIGNED TO PROMOTE THE EXPANSION OF MARKETS, AND TO OBTAIN DEPENDABLE INCOMES FOR PRODUCERS, ADEQUATE AND DEPENDABLE SUPPLIES FOR CONSUMERS, AND STABLE PRICES THAT ARE BOTH REMUNERATIVE TO PRODUCERS AND FAIR TO CONSUMERS."

3. ONE OF THE PRINCIPAL OBJECTIVES OF THE TRADE ACT IS "ASSURING THE U.S. FAIR AND EQUITABLE ACCESS AT REASONABLE PRICES..." (SECTION 108 OF THE TRADE ACT). IN THE TOKYO DECLARATION, WHICH LAUNCHED THE MULTILATERAL TRADE NEGOTIATIONS, WE FURTHER AGREED THAT AN AIM OF THE NEGOTIATIONS SHOULD BE TO SECURE ADDITIONAL TRADE BENEFITS FOR LDC'S THROUGH "WHEREVER APPROPRIATE, MEASURES DESIGNED TO ATTAIN STABLE, EQUITABLE AND REMUNERATIVE PRICES FOR PRIMARY PRODUCTS."

4. THE EMPHASIS IN THESE MULTILATERAL STATEMENTS IS ON JOINT CONSUMER AND PRODUCER INTERESTS. THE SECRETARY REEMPHASIZED THAT MUTUALITY IN HIS HOUSTON SPEECH ON LATIN AMERICAN POLICY (MARCH 1) BY STATING THAT "WE STRONGLY LIMITED OFFICIAL USE

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FAVOR A WORLD TRADING SYSTEM WHICH MEETS THE ECONOMIC NEEDS OF BOTH CONSUMERS AND PRODUCERS. UNILATERAL PRODUCER OR CONSUMER ACTIONS MUST NOT DETERMINE THE EQUILIBRIUM. A DIALOGUE BETWEEN THEM ON COMMODITY ISSUES IS THEREFORE ESSENTIAL."

5. THE ADMINISTRATION HAS DETERMINED THAT TO DATE NO COMMODITY PRODUCER ORGANIZATION WITH THE EXCEPTION OF

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OPEC (ON WHICH WE CONTINUE TO CONSULT WITH THE CONGRESS) HAS TAKEN ACTION THAT FALLS WITHIN THE PURVIEW OF SECTION 502 (B) (2) OF THE TRADE ACT. IT IS ALSO TRUE THAT A PRODUCERS-ONLY ORGANIZATION WHOSE PURPOSES ARE LIMITED TO EXCHANGING TECHNICAL OR STATISTICAL DATA DOES NOT CONSTITUTE A THREAT TO OUR INTERESTS. THROUGH IMPROVEMENT IN PRODUCT OR LOWERING OF PRODUCTION COSTS, THE U.S. COULD CONCEIVABLY GAIN FROM SUCH ACTIVITY.

6. ON THE OTHER HAND, WHILE WE MUST CONTINUE TO SET THE RECORD STRAIGHT FOR LDC'S WHICH EXAGGERATE THE INCLUSIVE NATURE OF THE STANDARD OF SECTION 502 (B) (2) OF THE TRADE ACT, WE CANNOT, AS A MATTER OF GENERAL POLICY, ENCOURAGE COMMODITY ORGANIZATIONS SERVING PRODUCER INTERESTS ALONE. WITH THE HEIGHTENED PRODUCER-COUNTRY TENDENCY TO SEEK NEW MARKET CONTROL TECHNIQUES, EVEN ORGANIZATIONS FORMED AS CLEARING HOUSES FOR STATISTICAL AND TECHNICAL INFORMATION CAN BE USED TO MOVE INTO AN ACTIVE ROLE IN THE MARKET. WHETHER OR NOT SUCH MARKET INTERVENTION SCHEMES ACHIEVE THEIR OBJECTIVES, THEY TEND TO DISRUPT MARKETS AND TRADE PATTERNS TO OUR DETRIMENT. CONSEQUENTLY THERE IS NO ADVANTAGE IN OUR ENCOURAGING UNILATERAL

PRODUCER ORGANIZATION. OUR REACTION WILL, OF COURSE, VARY WITH THE DEGREE TO WHICH OUR INTEREST ARE ACTUALLY THREATENED OR ADVERSELY AFFECTED. FOR THIS REASON IT IS DIFFICULT TO GENERALIZE REGARDING ALL UNILATERAL COMMODITY GROUPINGS AND THE EXTENT TO WHICH WE WISH TO ACTIVELY DISCOURAGE THEM.

7. AS FOR ACTIONS (REAL OR PROPOSED) OF GROUPS WHICH HAVE EXISTED, PRESENTLY EXIST, OR MAY BE FORMED AMONG COFFEE AND SUGAR PRODUCERS FOR THE PURPOSE OF MANIPULATING MAR-
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KETS, WE HAVE STRONG OBJECTIONS. APART FROM OUR CONCERN ABOUT THEIR ADVERSE EFFECT ON OUR OWN TRADE INTERESTS, WE HAVE REPEATEDLY EMPHASIZED THE INCOMPATIBILITY OF UNILATERAL PRODUCER GROUP MANIPULATION OF SUPPLIES AND PRICES WITH EFFORTS TO PROMOTE JOINT PRODUCER-CONSUMER COOPERATION (E.G., COMMODITY AGREEMENTS).

8. IT IS WITH THE FOREGOING THOUGHTS IN MIND THAT REFTEL A SUGGESTED THAT POSTS ATTEMPT TO DISCOURAGE HOST COUNTRY ATTRACTION TO "COMMODITY SCHEMES THAT DO NOT TAKE INTO ACCOUNT INTERESTS OF CONSUMERS AS WELL AS PRODUCERS."

9. FYI: THE EXISTING OR EMBRYONIC ORGANIZATIONS OF PRODUCERS OF COFFEE AND SUGAR, MENTIONED IN REFTEL B, HAVE NOT ACTUALLY ACHIEVED ANY SIGNIFICANT SUCCESS IN MANI-

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PULATING THE MARKETS FOR THOSE COMMODITIES. BUT THEIR SPOKESMEN HAVE REPEATEDLY DESCRIBED THEIR AIMS IN SUCH MANIPULATION TO BE TO RAISE PRICES BY CURTAILING SUPPLIES. GIVEN STRONG PUBLIC CONCERN OVER INFLATIONARY PRESSURES, THESE MOVES PREJUDICE THE WILLINGNESS AND ABILITY OF CONSUMERS (SUCH AS THE U.S.) TO ENTER INTO BILATERAL PRODUCER-CONSUMER AGREEMENTS, WHICH ARE OF PRIMARY BENEFIT TO THE PRODUCING COUNTRIES. IN LIGHT OF THE SECRETARY'S EXPRESSED INTEREST IN COOPERATION IN THE COMMODITY FIELD, IT IS TO OUR BENEFIT TO MINIMIZE THE CAUSES FOR NEGATIVE PUBLIC REACTION ON COMMODITY ISSUES WHICH HINDER THAT COOPERATION. FURTHERMORE, REPEATING THE SECRETARY'S FORMULATION, "UNILATERAL PRODUCER OR CONSUMER ACTIONS MUST NOT DETERMINE THE EQUILIBRIUM." END FYI. INGERSOLL

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